

Mr. Wolf Klinz
EFRAG Financial Reporting Board Chair

Mr. Benoit Jaspar
EFRAG Administrative Board Chair

EFRAG
Square de Meeûs 35
B-1000 Brussels
Belgium

Submitted via website.

Brussels, 19 December 2024

Subject: Exposure Draft — EFRAG Due Process Procedures for the EFRAG Financial Reporting Activities

Dear Mr. Klinz,
Dear Mr. Jaspar,

We are pleased to respond to the EFRAG's Exposure Draft - Due Process Procedures for the EFRAG Financial Reporting Activities (DPP).

Accountancy Europe welcomes the work done to document the DPP and the opportunity to provide comments through this public consultation.

Thorough and transparent DPP will not only foster trust in the decision-making process but also ensure long-term viability for the organisation as a public-private partnership.

EFRAG provided robust technical advice to the European Commission and influenced the development of International Financial Reporting Standards through its leadership, in-depth analysis and thought-provoking research.

The quality, credibility and adoption/influence of this work depends on:

- Being inclusive and neutral keeping all stakeholders, auditors, preparers, investors, regulators, and policymakers at arm's length. In this respect, EFRAG **should closely monitor its decision-making process to continuously ensure its independence is maintained at all times.**
- An appropriate mix of skilled staff. **We recently became concerned by the lack of resources in the financial reporting pillar and the tensions it creates within EFRAG.**

We finally invite EFRAG to foresee post-implementation review processes to ensure their DPP (financial and sustainability pillars) are effective and operating as designed on an ongoing basis.

We refer to the Appendix to this letter for further comments for EFRAG's considerations.

Please do not hesitate to contact Nael Braham (nael@accountancyeurope.eu) in case of any questions or remarks.

Sincerely,



Eelco van der Enden
Chief Executive Officer

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 49 professional organisations from 35 countries that represent close to 1 million professional accountants, auditors and advisors. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

ANNEX: EFRAG ED – QUESTIONS FOR RESPONDENTS

We are pleased to provide below our detailed responses to the questions.

Currently, a thorough due process is applied for financial reporting, but it is formalised only at a high level in the EFRAG Internal Rules. This document aims to formalise and explain in more detail the due process procedures to be followed by EFRAG when dealing with financial reporting issues.

Question 1: Objective and general principles

- a) *Does the EFRAG financial reporting due process meet your needs?*
- b) *Is the EFRAG DPP sufficiently clear and contains all information you would expect?*

- (1) Overall, we broadly support the documentation of the financial reporting due process at EFRAG. We also believe that EFRAG should foresee periodic post-implementation review processes to review, assess and update their DPP (financial and sustainability pillars) ensuring they are effective and operating as designed on an ongoing basis.
- (2) Accountancy Europe believes it is of the utmost importance that EFRAG continues to make its decisions independently to work in the public interest and to operate based on consensus to the extent feasible. In this respect, EFRAG should closely monitor its decision-making process to continuously ensure its independence is maintained at all times.
- (3) Furthermore, Accountancy Europe acknowledges the rapid pace of changes within EFRAG's structure following its governance reform and the mandate to draft European Sustainability Reporting Standards. We are however concerned with the resulting lack of resources within the financial reporting pillar as some experienced staff shifted to other roles, without being appropriately replaced. Therefore, we invite EFRAG to:
 - a. expediate the recruitment process to address the staff shortages,
 - b. maintain a high level of talents retention, and
 - c. monitor the resources allocation to projects ensuring the responsibility remains with experienced staff.
- (4) With regards to outsourcing specific tasks of the technical programme, we think that EFRAG should re-assess, in the first place, the adequacy of its workplan with the existing resources. Strategic decisions could be made to drop projects from the work plan when required. Outsourcing could be a last resort alternative, in the absence of in-house knowledge or due to lack of resources. In this regard, we have recently noted significant deficiencies when it comes to the transparency of service providers selection and, sometimes, the quality of their deliverables. We would recommend the following:

- The selection of external service providers should be transparent and based on objective and verifiable criteria. EFRAG should take the necessary steps to ensure that shortlisted candidates have the required knowledge, availability and independence to carry out their mission.
 - A quality control over the work of service providers should be implemented over the life of the project. Experienced EFRAG staff should be in charge of assessing and providing direction to ensure it is achieving its targets.
- (5) Finally, we welcome the clarifications made by paragraphs 4.2 - 4.3 relating to the classification of significant and less significant projects in EFRAG's technical work plan.

Currently EFRAG Internal Rules do not establish a minimum comment period on its consultations. In practice EFRAG's consultation deadlines depend on the IASB's consultation deadlines for each project and should normally (but not always) be a little shorter to allow the timely response to the IASB consultation. The EFRAG consultation deadlines also consider that the EFRAG Secretariat has sufficient time to analyse properly the comment letters received. However, EFRAG considered that it was important to establish a minimum comment period of 30 days on its consultations unless there is a need for an accelerated due process. In the latter case, the EFRAG Administrative Board, in its oversight role of due process, will need to provide approval (thus, the comment period can only be reduced to less than 30 calendar days after approval from the EFRAG Administrative Board supported by its DPC).

Question 2: Public consultation deadlines

a) *Do you agree with EFRAG's proposals in paragraphs 5.6 and 5.7 on public consultation deadlines, including a minimum comment period of 30 days on its consultations?*

- (6) We agree with the proposals in paragraphs 5.6 and 5.7.

Currently EFRAG Internal Rules do not provide detailed guidance on the treatment of comment letters received after its deadlines. In practice, the comment letters received after the comment deadline but before the EFRAG FR TEG meeting are included in the EFRAG agenda papers to the extent possible and uploaded on the EFRAG website. The Comment letters that are received after the EFRAG FR TEG (but before EFRAG FRB meeting) are not included in the EFRAG FR TEG advice.

These comment letters may be considered by the EFRAG FRB for the purposes of the EFRAG (final) comment letter and (final) endorsement advice (i.e. are considered on a case-by-case basis, considering the timing of submission). However, comment letters received after EFRAG FRB meeting are not considered by the EFRAG FRB. In these cases, it is indicated on the EFRAG website that the comment letter was not considered by the EFRAG FRB. EFRAG decided to formalise this procedure by including it in the EFRAG Financial Reporting DPP.

Question 3 Comment letters received

b) *Do you agree with EFRAG's proposals in paragraphs 6.7 to 6.11 on comment letters received after EFRAG's comment deadline?*

- (7) We strongly agree to specify a clear timeline according to which constituents' responses are taken into account in EFRAG's final comment letter.
- (8) However, we are concerned with the excessive flexibility of paragraph 6.11 which allows for late respondents to submit their letters after the FR TEG meeting. In such cases, it is inappropriate, in our view, to consider these responses for the purpose of both EFRAG FR TEG advice and the FRB approval of the final comment letter.